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PRESENTATION

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Good morning, everyone, and welcome to Global Fashion Group's Q3 2022 results presentation. I'm Christoph Barchewitz, GFG's Co-CEO and I'm joined today by our CFO, Matthew Price.

Following our announcement on the 7th of October of our agreement to sell our CIS business, Lamoda, all of our group results in this presentation will be presented excluding CIS. In anticipation of the transaction completion, I will begin today with an update on who we are without CIS. I'll then take you through our KPIs. Matthew will take us through the financial results and the outlook for the remainder of the year. After that, we'll open it up for Q&A.

As a reminder, we operate under 3 different brands in 3 regions. We already have significant scale to be a leader across our markets. If you look at our markets, they are huge with plenty of opportunity. Over 800 million people live in our regions and consumers are projected to spend around EUR 230 billion on fashion and lifestyle products this year. Not only are our markets large, they are growing and benefit from a young digitally native population, where e-commerce is relatively nascent.

While our markets have a lot of upside when it comes to online penetration, they are at different stages in their growth. ANZ at 22% penetration is similar to Western Europe's 19%, but still has further upside when compared to the U.S. at 34%. Then there's SEA and LATAM, which are both half of Europe and ANZ and 1/3 of the U.S., so at a much earlier stage in online penetration. Our markets offer huge potential for growth over the medium to long-term, even if you are seeing a post-COVID plateau currently.

Now looking at our group's performance. Over the past 3 years, we have increased the size of our business by 1.5x and have grown at a 20% CAGR. On adjusted EBITDA margin, we have made marked improvements across each of our regions. We have a track record of delivering growth and profitability. Our orders and customers have also grown since 2018. We had 30 million active customers and 31 million orders as of the last 12 months for the first half of this year. This growth is critical to achieve our long-term goals. We offer our brand partners 2 key business models, Retail and Marketplace.

The group's Marketplace accounted for 34% of NMV in the last 12 months period to the first half. Our Marketplace model gave us flexibility and helped us pivot into new categories quickly during the pandemic as customer preferences changed during lockdowns. We'll continue to use this lever to expand our range of fashion and lifestyle products and support improving our gross margin. During 2022, we have shifted our focus to our retail model to ensure healthy inventory dynamics. Though our group is undergoing significant change without the CIS business, we remain confident in the potential of our large market that presents expansion opportunities.

Let's take a look at the Q3 performance. Net merchandise value growth was 2% despite a challenging market where we can see that discretionary spend is under pressure with customers impacted by inflation, and that has reflected in lower levels of consumer sentiment. Looking back to Q3 2019, before the pandemic, we have grown our NMV 48% on a constant currency basis since then. Our active customer base was 11.9 million with an average order frequency of 2.5x in this LTM period. In Q3, these customers made 6.4 million orders. Demand was softer than anticipated, and as a direct result, we have increased our levels of discounting in LATAM and ANZ, which has reduced our gross margins. We have adapted to these market conditions and have taken action on cost and inventory to maintain our adjusted EBITDA margin, which improved 0.1 percentage points over the prior year.

Let's now take a look at our KPIs. Q3 NMV growth of 2% was driven by 19% increase in average order value, while orders declined by 15% year-on-year, driven by LATAM and SEA. The decline in LATAM reflects a deliberate decision to prioritize customer experience improvements ahead of new customer acquisition alongside the weaker macro environment. On average order value, though, of course, inflation was a factor in our markets, it might surprise you that inflation only accounted for less than 1/5 of growth in order value. The biggest single impact came from customers putting more items into their baskets and then product and country mix.

We saw customers continue to shift more into fashion categories and choose higher-priced products. On country mix, you see the effect of ANZ with its higher AOV growing faster. Our Marketplace share of NMV declined to about 32%, which was driven by LATAM, where our focus on customer service meant we deemphasized some Marketplace sellers and ANZ where we saw more customers choosing to shop our retail promotions.

Looking at our key customer metrics. Our active customer base declined to EUR 11.9 million, reflecting the execution of our LATAM investment plan and the more careful trading stance we are taking at present with a focus on cost actions, including reduced marketing investments. Active customer numbers grew in ANZ. However, this growth has been offset by the decline across SEA and LATAM. NMV grew despite the lower number of customers with order frequency up slightly at 2.5x and NMV per active customer was driven up by the higher AOV.

Now turning to our regional performance on the next slide. Starting with our LATAM business, the team has continued to deliver our investment plans and to prioritize marketing efficiency. Larger order sizes in Brazil and Colombia, together with an active customer decline pushed up the NMV per active customer by 12%, with little of this coming from price inflation. In SEA, we had lower growth following a comparatively late COVID reopening, meaning there was pent-up demand for physical retail and travel. We have been managing marketing spend very tightly in this context, meaning that NMV declined 8% and active customers fell by 11%.

ANZ performed strongly against the COVID disrupted Q3 last year, growing NMV by 25% and active customers by 13%. Q3 includes our Birthday sales event, which was held in Q4 last year. Our customers are also choosing to buy higher-priced fashion items more frequently, meaning both average order value and order frequency increased. Together these dynamics drove a 14% improvement in NMV per active customer. Our teams have operated through challenging macro environments before, and so we remain confident in the longer-term growth dynamics of our business.

I will now hand it over to Matthew to take you through the financials.

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Thanks, Christoph, and good morning, everyone. Our CIS business is now classified as an asset held for sale and discontinued operation under IFRS 5. That means it's deconsolidated within the financial reporting.

Market conditions are more challenging, and this means we're trading the business carefully with the focus on profitability, inventory management and cash flow rather than driving fast growth. Despite this, in Q3, we delivered revenue growth of 7%. Revenue grew faster than NMV this quarter as our promotional activity meant more customers chose to shop our retail business. As we communicated during the half year, we had pockets of older inventory that needed to be cleared, and so we expected higher levels of discounting this quarter. This resulted in our gross margin declining by 1.8 percentage points. Within this, our retail margin investment was around 1.5 percentage points in the quarter and delivered us a robust overall inventory position for Q4 trading.

The group's Marketplace share in the quarter was 32% of NMV. This is a 3.7 percentage point drop year-on-year, reflecting both customers' preference to shop retail markdowns and some further curation of the marketplace offer in LATAM to improve service quality.

We took action to protect the profitability, allowing us to recover the gross margin impact and maintain a stable adjusted EBITDA margin. We improved marketing efficiency across all regions, down 1 percentage point of NMV on the prior year. We managed fulfillment costs effectively countering the cost deleverage from lower order volume. We continue to invest in service in LATAM. And year-on-year, we continue to invest in our technology, both OpEx and CapEx whilst reducing our headcount in other overhead roles.

So let's take a look at our regional performance on the next slide. In Q3, LATAM reported a decline in revenue and gross margin. Similar to Q2, we are continuing to rationalize marketing to focus on stronger paybacks at the expense of bringing in fewer new customers in the short-term. LATAM's gross margin declined 3.9 percentage points from additional discounting. This allowed the team to successfully reduce older inventory to low levels, meaning that we started the Q4 selling season with fresh and seasonal stock.

In SEA, revenue declined 9%, but gross margin was supported by stronger Marketplace performance. To better differentiate our assortment, we reduced our lower price point assortment and increased premium, which has impacted sales in the short-term, what we believe builds a much more differentiated offer. The ANZ economy remained resilient, and we continue to demonstrate our market-leading position by delivering a strong revenue growth of 30% in the quarter. As Christoph mentioned, Q3 is flattered by the timing of our Birthday event this year.

Now on to the key elements of our cash flow for the quarter. We spent EUR 13 million of CapEx in Q3 with approximately 2/3 for technology and 1/3 for our fulfillment centers. The work in Q3 meant that our inventory balance was solid as we entered Q4. At the end of the quarter, it was only EUR 20 million or 9% more than this time last year on an FX-neutral basis. Overall our inventory is also relatively fresh with just a little more than 20% older than 180 days. We're comfortable with this position, though we do expect elevated levels of promotional activity to continue through the fourth quarter.

Now moving on to cash. The group's cash flow was good in the quarter and in line with our normal seasonal trading pattern. Our pro forma cash here is different to all the other numbers I'm presenting today, as it includes the cash held in the CIS business. Our cash position provides strong liquidity headroom for us to navigate the challenging environment over the next few years. The pro forma cash is EUR 455 million. Included in this is EUR 280 million from the convertible bond, which is not due for repayment until 2026 at the earliest. After the completion of the sale of the CIS region, our cash balance would increase further with the approximately EUR 100 million of sales proceeds.

Now looking forward to the rest of the year. With our CIS business being treated as an asset held for sale, our prior guidance for the group, which included CIS, isn't relevant anymore, and we've therefore suspended it. 2022 faced a deceleration in consumer spending driven by weakening consumer sentiment and rising inflation. We had anticipated a more challenging macro environment going into H2, and we've seen that come through. In ANZ, demand softened through Q3, which we expect to continue through Q4. These trends are similar to what some of you might be more familiar with in Europe, but their fundamentals are stronger in ANZ. So we're expecting consumer discretionary spend to be more resilient there.

Q4 is our peak trade quarter. And alongside dampening consumer discretionary spend, we have less visibility and higher uncertainty than we'd normally see. We will continue to carefully manage our cost base. The group has experienced and has proven its ability to adapt to the changing dynamics whilst not losing focus on the long-term proposition. We expect many of your questions today may focus on our sale of the CIS business and what our strategic priorities and targets are without that. Today we're focused on completing that transaction and finishing the year strongly and efficiently.

We'll now open the call to your questions. If you'd like to submit a written question, please click on the speech bubble at the bottom of the screen and type it in. Thank you.

QUESTIONS AND ANSWERS

(Operator) We will take the first question from Miriam Adisa from Morgan Stanley.

Miriam Anuoluwapo Adisa - Morgan Stanley, Research Division - Equity Analyst

3 questions for me. First one on CIS. I'm just wondering if you could just give us an update on the sale process and particularly the timing of any approvals that you need? And then also, just how you're thinking about capital allocation once you do get the proceeds from the sale? And then secondly, if you could just give us a bit more color on current trading. I know you gave a bit on ANZ, but also if you could share what you're seeing in SEA in Brazil as well. And then also just any sort of color on how you are thinking about sort of Q4, what you're seeing in terms of the promotional activity and perhaps how you're approaching peak season and Black Friday as well?

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Thank you, Miriam. I'll take the first part on CIS and capital allocation and let Matthew comment on the current trading, the second question. So there's unfortunately not at all any gaps to what we said on the 7th of October, we have signed a binding sale agreement. It is going through the usual steps, including regulatory approvals currently. And there's not really any update. We would obviously have shared an updated if there would be an update to provide.

At this point, in terms of capital allocation following the completion of that transaction, I think Matthew laid out how our pro forma balance sheet would look like with roughly EUR 550 million of gross cash. We believe that during a challenging period and particularly unpredictable period, having a really strong balance sheet that enables flexibility on both trading and investment decisions is a real strength of our business. And I think we've seen this more broadly in the sector being an important factor.

And so I think, first off, we would think that that's a real positive for our ability to act in the long-term interest of our shareholders and develop the business through what may be a couple of tougher quarters. So no imminent plans in terms of any changes to our capital allocation. Certainly, what we will look at very carefully is how do we allocate capital across the 3 regions where we're seeing results and the investments we're making, be it in the physical infrastructure and the tech infrastructure or in Marketing. And so we certainly made very deliberate choices in putting the money where we see the best opportunity for return in a more challenged environment, but we also see, I think, some real positive opportunities from a changed environment in terms of capital availability, also for competition and so being capitalized strongly in this environment, we think, is a real competitive edge.

Matthew?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Yes. Thanks. I mean, picking up first on the overall approach on peak trade Black Friday into holidays. Well, actually -- or I'm actually really pleased with the action we took on inventory in Q3. Yes, we had to invest in gross margin, but 1.5 points of Retail margin was, I think, very acceptable. And we've ended up with a very sensible inventory balance that's actually very flesh and seasonally relevant. So I think we're in a good place. So we're going into this confident and we're going into it set up for success with our Retail business. Plus, of course, we've also got the large Marketplace business on the side. So we're there and we're ready for the opportunities, but I think not massively overexposed, but confident.

In terms of the Southeast Asia and LATAM, particularly Brazil. In terms of current trading, we really are seeing the same sort of trends that we saw in Q3. So Southeast Asia is slower than we'd like. We are very confident it will start to come back, and we're set up for success, and we've done that pivot, which we mentioned of reducing lower price point elements of the assortment and putting more premium and more fashion lines in. So we feel we're well set up. And in LATAM and particularly Brazil, we have made significant improvements in the service proposition. We've made improvements in the assortment. We've got the inventory into a strong place. It's still a very difficult environment, but we think that we're well set up inside that.

Miriam Anuoluwapo Adisa - Morgan Stanley, Research Division - Equity Analyst

And just on LATAM, I mean, sort of how long do you think before you return to growth in that business or, I guess, before you start to spend on Marketing again?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Yes. It's very difficult to call. So I mean, if we were simplistically looking at it, I think our team there is excellent, and they're making great strides on all of the input measures that we focused on, what we committed to doing, service assortment, quality of the front end and the new app. It's just a very difficult and challenging market environment at the moment with a lot of economic difficulties, some political uncertainties in places, none of which is helpful. Therefore, it's hard to call when the benefits of the improvements we've made in the proposition will come through. If I were being optimistic, I would be -- I would expect to see it starting to come through next year.

(Operator) The next question comes from Nicolas Katsapas from BNP Paribas.

Nicolas Katsapas – BNP Paribas Exane, Research Division – Research Analyst

I have 3, please. I know you're trying to avoid questions on Lamoda and CIS. But I appreciate that it's a discontinuing operation, but surely, the EBITDA that you generate in that business until the sales completed is the contribution to existing shareholders. So is there a chance that you could give us color on what that contribution was in Q3? And then secondly, once the sale of Lamoda goes through, does it affect the relationships that you have in place with third-party brands at all? Or are those relationships very regional? So would it affect the pricing or the payment terms or access to product, anything like that in, let's say, LATAM or SEA, for instance?

And then the third question is just on the birthday sale from ANZ. How do we think about this in terms of the balance of sales between Q3 and Q4? I know you've got macro uncertainty in there as well, but does Q4 become a smaller balance set as Paribas? And does that mean that gross margin sort of would be higher in a normal year because of the promo came into Q3 and not Q4?

Christoph Barchewitz – Global Fashion Group S.A. – Co-CEO & Member of Management Board

Thank you. I'll maybe start with the first 2 and then leave the ANZ question for Matthew. So on CIS, we do not report the Q3 numbers because it's deconsolidated and also because the terms of the sale agreement are not such that we would benefit or suffer or be negatively affected by the trading performance in Q3 or beyond. So from that perspective, I think the trading performance is not directly financially relevant for the group. It is about the completion of the sale. In terms of the second part of the question regarding the relationship with third-party brands, we obviously have global relationships with the key global brands. And we are always in dialogue with them, and we have -- with many of them worked through the different choices that all of us are facing with regard to the CIS market.

I do not see any significant impact on our third-party brand relationships because our trading terms are generally agreed at the country or regional level given that from most of the brands, we're actually buying at a local level. So we will buy from a global brand in Australia and then separately in Southeast Asia. I think there is a bit of a topic that is the overall scale of the relationship clearly matters. So you could see that as a slight downside. But I think we're still a very meaningful partner in the context of each of the local markets. And I think, therefore, we don't see this as a drag on our terms or access to product.

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

On the Q3, Q4 Australia piece, yes, the Birthday is important and it's big enough to make visibility through September, October, difficult to call. It's not really big enough to change the sake of Q3, Q4 overall. October is always by far the smallest month, November is peak. December is just a little bit smaller than November. So I don't think it -- by the time we get to Q4, I don't think it will be materially changing anything important. It does just mean that with us sitting here on the 8th of November, I've got a bit less visibility of the trends into November, then we probably would have if that hadn't moved. Does that help, Nicolas?

Nicolas Katsapas – BNP Paribas Exane, Research Division – Research Analyst

That's very clear.

(Operator) The next question comes from Volker Bosse from Baader Bank.

Volker Bosse - Baader-Helvea Equity Research - Co-Head of Equity Research

I would like to start with LATAM and then Southeast Asia. So sitting in Europe, perhaps you can give us a better view on what's going to happen in LATAM and in Southeast Asia on the ground, so to say? So how is the consumer confidence developing there? How is the influence in the inflationary strength working and how does that affect the consumer spending in these regions? Thanks for giving your view on that?

And second question would be on the sale of CIS. I mean, you would have a smaller platform, excluding CIS, meaning that also -- meaning that you are able to adjust cost on a group level due to the mix of CIS going forward?

And finally, per your guidance, yes, I understand that you take CIS out, but being at the 8th of November, perhaps you can give us a kind of range of phase of EBITDA and what to expect without CIS on a full year basis? I mean, it's just 2 weeks to go, and so the kind of it would be appreciated if you give us a bit of guidance on what you've done?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

So let's start on intern. On Southeast Asia, what's going on with the consumer and inflation, inflation is important there. It's very different to European inflation. So there is a mix. It's in certain markets, it's relatively high, but you're not seeing anything like that spike up that you're seeing in Northern Europe, which is fuel and heating driven, et cetera. It's just different supply chains, different needs and obviously a much warmer climate. So we have inflation, but I think it's manageable and not really outside the levels that have been seen in the past. The team there is able to cope with it.

In terms of the consumer, I mean, it's a really interesting story. So there obviously is no single country called Southeast Asia. The countries emerged from lockdowns at quite a different pace through the year, some really rather like the Philippines. And therefore, you're seeing some of that post-lockdown desire to go out to travel, to revisit physical retail, et cetera, going on all at different phases in there. So I think we are optimistic and we think the consumer will ultimately be strong. But there's currently quite a lot of focus from everything we can see in the market around the experience, the holidays, the physical getting together as opposed to slightly to the detriment of the online retail market there. So we are optimistic. We're setting the business up well and we're just being a little careful about when we start spending marketing dollars because there's no point in marketing heavily when the consumer isn't ready for it.

Excluding CIS and our central cost base, very, very good question. Thank you. Look, we've made adjustments through, as I mentioned, through this year already to our cost base, including our central cost base. And we're currently running at a level we're relatively comfortable with. Of course, remember, one of the biggest things that we do in terms of central costs apart from the 3 or 4 people you have on the call today is our tech teams where we develop, manage and improve some of the important tech platforms that we used across the group. We believe that those continue to deliver a good return for us, and we continue to want to make those investments because I think they really are an important part of our future and being able to differentiate and change our offer.

That's not to say that we won't see some opportunities in the future. We will always keep costs very closely in mind quarter-on-quarter and do the right thing. I mean, I think we showed in Q3 that despite the pressure on top line and the need to invest in gross margin to get inventory into a robust shape. We also held the operating margin line, and we did that by taking cost actions. So you will always see us doing that. In terms of guidance, I appreciate what you're saying. I don't want to put any more numbers out right at the moment. I mean, really from sitting where we are at the moment, we're in the last 6 weeks of peak trade. There is relatively low visibility of that, particularly as it's hard to call Australia. We're confident, but we've got low visibility. And therefore, rather than put out a range that with just 6 weeks to run would seem bizarrely wide. I think we've got the Q3 numbers, I think I'd rather just be silent.

Volker Bosse – Baader-Helvea Equity Research – Co-Head of Equity Research

Matthew, you mentioned on Southeast Asia, the (inaudible) strength. How does this, in that sense, if you could give us a comparable update, if you give (inaudible).

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

I'm sorry, Volker, I missed that. But yes, I mean the situation in LATAM is similar to Q3. So again, what we've done is we're focused on getting the input metrics of the service, the assortment, the quality of the inventory, the age of the inventory right, and we've made those adjustments, and we're in good place. The consumer in many of the markets is facing a lot of headwinds. So it's a very difficult market to be trading in with that difficulty in the market. What we're doing is making sure our offer is great. But again, like in Southeast Asia, we're being very cautious on pushing Marketing out at the moment because, actually, it would be very easy to lose a lot of money if the consumer isn't ready.

So we're sort of -- we're confident about our offer. We are risk off around trying to drive growth in the short-term there. And therefore, we're to a degree where we're sort of wait and see and trade very carefully.

(Operator) The next question comes from Michael Benedict from Berenberg.

Michael Benedict – Joh. Berenberg, Gossler & Co. KG, Research Division – Analyst

Could I ask 3, please. Firstly, on and the ex-lamoda, could you give us a feel for where you expect CapEx to land over the next few years given the disposal? Secondly, I appreciate you can't or I'm not going to get EBITDA expectations for the current year for the Group ex-lamoda. But could you give us a little bit of a feel for the moving parts in terms of your move towards breakeven and the EBITDA level for the ex-Fashion Groups or what sort of time horizon are you expecting that?

And then lastly, just on Q4. So you seem fairly confident around the inventory position, but I think have flagged some promotional pressure. How do you see those things netting off? Is gross margin likely up or down in Q4, please?

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

So CapEx for the ex-Fashion Group, I mean, I think we've been talking around about some EUR 50 million for the year. I wouldn't necessarily change the models materially at the moment because actually if you think about where we had major CapEx plans for Russia around the second fulfilment center, we clearly have taken those out of guidance earlier in the year. I would just sit where you are with the models, and we will update carefully at Q4 in the Capital Markets Day. It's probably one would need to put numbers out earlier than that.

In terms of guidance for getting to profitability, I, again, better to wait for the Capital Markets Day where we've had time to really scrub and think about all of this. If we were in a normal and easy to forecast trading period for the consumer, I'd probably be saying very confidently 12 months, maybe 18 months. I think what we need to take a view on before we do give any such guidance is actually how are the next few quarters is going to play out for us.

And as we've said repeatedly, there is low visibility. We're trading carefully and cautiously, et cetera, on that. But I think we've got a lot of good levers. We've shown ourselves able to manage cost, manage the gross margin and manage our CapEx through some very turbulent periods. So I'm not troubled by our ability to do it, but I would like to just take a bit more time before putting guidance out. Q4 gross margin. So here's one where I am more confident about giving you a straight answer, Michael. The Q4 gross margin will probably be down and we'll probably be down looking a bit like what we saw in Q3. So in Q3, we invested about 1.5 percentage points of Retail margin. We do expect to see the promotional activity that drove that to be similar. So that's -- it's not an absolute 1.5, but it's going to be a similar kind of trend.

(Operator) There are no further questions on the phone. I'll now hand back over for any webcast questions.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

First question on the webcast is, excluding CIS region, have you seen an increase in return rates, given the decline in active customers?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Yes. Good question. We've seen a small increase in return rates up to sort of 1.5, 2 percentage points. When we look at it, we see all of that down to really the product mix. So it's the mix of product that people are buying. We're not seeing any material shifts in propensity to return beyond that.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

Next question from Rebecca at Santander. How much of that in that third quarter growth was, thanks to the earlier Birthday, and what is the magnitude of the slowdown in Q4 shipping out the phasing of the Birthday?

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

I don't really want to give a number for an individual promotional mechanic. I really don't think it's hugely material. What it is material to is that September, October shift, which, of course, gives us that slightly lower visibility than we'd like. But it does -- they won't really affect certainly the group level, the overall shape of the quarter.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

Next question is from Dan at Navat Capital. What is the split between brand plus performance marketing and your marketing expenses?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Sorry, Christoph?

Christoph Barchewitz – Global Fashion Group S.A. – Co-CEO & Member of Management Board

Yes. I mean. we haven't disclosed marketing spend, but clearly, brand is a relatively small part of our overall spend. To remind you, last year on our traffic, about 60% was unpaid. So that's direct app, CRM, SEO, and then about 40% of the traffic is paid traffic. And within that, performance marketing is the clear majority, but there is a benefit of brand marketing, but we're not very heavy on that.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

Next question is, could you clarify the net working capital outflow in the third quarter and where you expect cash to end the year roughly excluding any CIS proceeds?

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

So I mean, year-on-year, we've got EUR 20 million more FX-neutral inventory in place as we go into the fourth quarter. We always see a working capital outflow of a small amount, EUR 10 million to EUR 20 million during Q3 as we stock up ahead of Q4, which is the key trading season. This year hasn't been massively different to that. I'm not going to give a forecast for cash for the full year because that would be the same as giving an EBITDA forecast.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

Next question. The group has about EUR 2.9 billion tax loss carryforwards. Is there anything the group can do to take advantage of them in the shorter term?

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

So I mean, we have tax losses, which are used and are usable. We have, in the past, been using them obviously in Russia, that's no longer relevant, but also in Australia and a number of other countries. The EUR 2.9 billion which we pick up from the accounts is mostly, and I think the disclosure is quite clear that are mostly relates to quite pre-IPO group reorganizations and is sitting in Luxembourg around and Germany and holding company tax relief. So I think the majority of that is not usable, which is why it's disclosed in the accounts as it needs to be, but we're not recognizing any deferred tax asset for it because I don't think it has -- we can't see how the group gets to use it in the near-term.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

Next question. I understand that keeping a strong balance sheet is important to the group. At the same time, could you envision some opportunistic share buybacks or further convertible buyback, perhaps not in the same quantity you saw earlier this year, but some in an opportunistic fashion?

Matthew Price – Global Fashion Group S.A. – CFO & Member of Management Board

No, it's a good question. I think as Christoph said, our focus is actually on completing the transaction. And then our focus will be on making sure that we trade carefully, and we have the right funds available to trade carefully as we go into what remains an uncertain period. We will give all this kind of clarity, I think when we set out Q4 CMD on the strategies, again, as Christoph said, we want to retain balance sheet strength in an uncertain period because we think that it is an important asset for us. That's not to say we wouldn't be doing something opportunistically later.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

There are no further questions on the webcast. Thank you all for joining today. If you have any further questions, please reach out to the Investor Relations team directly.